

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 EB-08 SIG-02 MMO-04 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02
OMB-01 DOE-11 /121 R

DRAFTED BY ARA/ECP:WDBURSON:LM
APPROVED BY ARA/ECP:SHROGERS
EB/GCP:MBAAS

-----117664 221839Z /46

R 221603Z FEB 78
FM SECSTATE WASHDC
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

UNCLAS STATE 045438

E.O. 11652: N/A

TAGS: ETRD, XM

SUBJECT: U.S. IMPORTS FROM LATIN AMERICA UNDER GSP
IN 1977

1. SUMMARY: THE FOLLOWING IS A SUMMARY OF LATIN AMERICAN EXPORTS TO THE U.S. IN 1977 UNDER THE GENERALIZED SYSTEM OF PREFERENCES. INDIVIDUAL COUNTRY DATA ARE BEING FORWARDED UNDER SEPARATE COVER ALONG WITH MORE DETAILED STATISTICAL ANALYSIS. LATIN AMERICAN EXPORTS UNDER GSP INCREASED BY 22 PERCENT IN 1977. BRAZIL AND MEXICO WERE THE BIG BENEFICIARIES. CENTRAL AMERICA DID BEST WITH AGRICULTURAL ITEMS. THE CARIBBEAN COUNTRIES REGISTERED ONLY MINIMAL GAINS. OTHER COUNTRIES INCREASED THEIR GSP BENEFITS MODERATELY, BUT OFTEN IN TRADITIONAL PRODUCT LINES. THERE IS STILL ROOM TO MAKE MORE EXTENSIVE USE OF THE SYSTEM.

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2. GENERAL: DUTY-FREE IMPORTS FROM LATIN AMERICA UNDER GSP INCREASED TO \$1.1 BILLION IN 1977 COMPARED TO \$900 MILLION IN 1976. BRAZIL AND MEXICO WERE THE BIG GAINERS WITH INCREASES OF \$130 MILLION AND \$120 MILLION RESPECTIVELY.

3. WHILE MANY COUNTRIES SHOWED A SLIGHT DECLINE IN NOMINAL GSP BENEFITS, THIS WAS LARGELY ATTRIBUTABLE TO CHANGES IN COMPETITIVE NEED STATUS AND LOW PRICES FOR SUGAR. THE 1977 DATA SHOW A NUMBER OF CASES WHERE EXPORTS OF SPECIFIC PRODUCTS HAVE INCREASED SHARPLY--ALMOST CERTAINLY AS A DIRECT RESULT OF GSP. AT THE SAME TIME, IT ALSO APPEARS THAT MOST LATIN AMERICAN COUNTRIES ARE STILL NOT TAKING CLOSE TO FULL ADVANTAGE OF THE BENEFITS OFFERED BY GSP.

4. IN A FEW CASES THE DATA SHOW THAT THE LATIN AMERICAN PRODUCTS HAVE CAPTURED AN INCREASED SHARE OF THE MARKET AT THE EXPENSE OF DEVELOPED COUNTRIES. FOR MOST MANUFACTURED PRODUCTS, HOWEVER, THE TOTAL INCREASE IN IMPORTS DURING 1977 WAS SO LARGE THAT NO CONCLUSION CAN BE DRAWN CONCERNING POSSIBLE SHIFTS IN COMPETITIVE POSITION. ONE

GENERAL OBSERVATION WHICH CAN BE MADE IS A MARKED TENDENCY FOR THE INCREASES IN BOTH AGRICULTURAL AND MANUFACTURED EXPORTS TO BE IN LABOR-INTENSIVE PRODUCTS. GSP EXPORTS CAN THUS BE PARTICULARLY IMPORTANT AS A SOURCE OF EMPLOYMENT GENERATION.

5. BRAZIL AND MEXICO: BRAZILIAN EXPORTS UNDER GSP INCREASED BY 60 PERCENT IN 1977 AND MEXICAN GSP UNCLASSIFIED

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EXPORTS BY 45 PERCENT. THESE TWO COUNTRIES NOW ACCOUNT FOR 65 PERCENT OF GSP BENEFITS IN THE HEMISPHERE.

6. MEXICO CONTINUED TO HAVE THE BROADEST RANGE OF EXPORTS UNDER GSP AND SHOWED STRONG INCREASES IN SHIPMENTS OF LEATHER, WOOD, CHEMICAL AND GLASS PRODUCTS, ALCOHOLIC BEVERAGES, RAILWAY CARS, AND METAL MANUFACTURES. MEXICO ALSO APPEARS TO HAVE INCREASED ITS PERCENTAGE OF ELIGIBLE PRODUCTS FOR WHICH GSP BENEFITS ARE ACTUALLY CLAIMED.

7. TWO-THIRDS OF BRAZIL'S GSP SHIPMENTS WERE CONCENTRATED IN COCOA, CASTOR OIL, AND AUTOMOTIVE PARTS. AT THE SAME TIME THE DIVERSITY OF PRODUCTS EXPORTED BY BRAZIL UNDER GSP INCREASED, AND MARKED GAINS WERE MADE IN WOOD AND METAL PRODUCTS, SANITARY WARES, AND SCIENTIFIC INSTRUMENTS.

8. CENTRAL AMERICA AND THE CARIBBEAN: CENTRAL AMERICAN COUNTRIES AND THE DOMINICAN REPUBLIC REGISTERED MOST OF THEIR GAINS IN AGRICULTURAL AND WOOD PRODUCTS. FRESH VEGETABLES (OKRA, BROCCOLI, ETC.) INCREASED

SHARPLY AS U.S. IMPORTERS HAVE PROMOTED PRODUCTION BY SMALL FARMS. MOST CENTRAL AMERICAN COUNTRIES SHOWED SUBSTANTIAL INCREASES IN A WIDE RANGE OF WOOD PRODUCTS, INCLUDING PLYWOOD, VENEERS, FURNITURE, AND TOBACCO PIPES. IN SEVERAL CASES VALUE ADDED IN ASSEMBLY OPERATIONS (OFFICE MACHINE PARTS AND MEDICAL INSTRUMENTS) HAS BEEN INCREASED SUFFICIENTLY TO PERMIT UTILIZATION OF GSP RATHER THAN THE REDUCED-DUTY PROVISION OF TSUS 807.

9. CARIBBEAN COUNTRIES GENERALLY SHOWED THE LEAST IN GAINS FROM GSP IN 1977. IN LARGE PART, THEIR NET DECLINE IN GSP SHIPMENTS WAS DUE TO REDUCED PRICES FOR MOLASSES AND FOR SUGAR (SEVERAL CARIBBEAN COUNTRIES UNCLASSIFIED

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REMAIN ELIGIBLE FOR GSP ON SUGAR). WHILE THERE WERE A FEW CASES IN WHICH CARIBBEAN COUNTRIES INCREASED THEIR SHIPMENTS OF OTHER GSP PRODUCTS, IN GENERAL THEY HAVE SHOWN VERY LITTLE ABILITY TO UTILIZE THE TARIFF ADVANTAGE TO INITIATE OR EXPAND NON-TRADITIONAL EXPORTS.

10. OTHER COUNTRIES: MOST OTHER LATIN AMERICAN COUNTRIES SHOWED MODERATE INCREASES IN 1977 GSP EXPORTS (AFTER ADJUSTMENT FOR CHANGES IN COMPETITIVE NEED). IN MANY CASES THE INCREASES HAVE BEEN IN MORE TRADITIONAL PRODUCTS, ESPECIALLY MINERALS, WHERE THE CAUSE-EFFECT RELATIONSHIP WITH GSP IS DIFFICULT TO DETERMINE.

11. ONLY IN COLOMBIA DID THE INCREASE ENCOMPASS A FAIRLY BROAD RANGE OF PRODUCTS. THE NOMINAL VALUE OF GSP SHIPMENTS FROM PERU WAS SIGNIFICANTLY AFFECTED BY APPLICATION OF COMPETITIVE NEED TO COPPER--ALTHOUGH EXPORTS OF THIS PRODUCT NEVERTHELESS INCREASED SHARPLY. CHILEAN EXPORTS OF COPPER TUBING WERE DAMPENED AS A RESULT OF COMPETITIVE NEED, BUT MORE THAN OFFSET BY INCREASED SHIPMENTS OF COPPER BARS, RODS, AND WIRE.

12. A NUMBER OF COUNTRIES REGISTERED INCREASES IN AUTOMOTIVE EQUIPMENT (BODY PARTS, ENGINES, TIRES, IGNITION PARTS). THE TOTAL IMPORTS FROM THE REGION (EXCLUDING MEXICO) OF THESE ITEMS MORE THAN DOUBLED TO OVER \$110 MILLION.

13. GSP UTILIZATION: UTILIZATION OF GSP IN THE SENSE OF APPLYING FOR DUTY-FREE ENTRY WHEN A PRODUCT IS ELIGIBLE DOES NOT APPEAR TO HAVE BEEN A SIGNIFICANT PROBLEM IN 1977 (OR AFTER THE FIRST FEW MONTHS OF UNCLASSIFIED

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1976). CENSUS DATA REGISTERS A GSP ENTRY ONLY WHEN DUTY-FREE TREATMENT IS REQUESTED ON INITIAL DOCUMENTATION. IN A NUMBER OF CASES, ESPECIALLY ORE IMPORTS FROM CENTRAL AMERICA AND PERU, GSP DOCUMENTATION IS PRESENTED SUBSEQUENTLY AND DUTY-FREE ENTRY ACCORDED EVEN THOUGH NOT SO REGISTERED BY THE COMPUTERIZED DATA.

14. THE POTENTIAL FOR UTILIZATION OF GSP TO INCREASE EXPORTS WILL OBVIOUSLY VARY FROM COUNTRY TO COUNTRY AND PRODUCT BY PRODUCT. WE CANNOT BE SURE TO WHAT EXTENT THE GSP TARIFF EXEMPTION WILL HELP TO OVERCOME ANY COMPETITIVE DISADVANTAGES FACED BY LATIN AMERICAN PRODUCERS. AT THE SAME TIME, IT DOES APPEAR THAT MOST LATIN AMERICAN COUNTRIES HAVE NOT ADEQUATELY PURSUED THE POSSIBILITIES WHICH THE SYSTEM, WITH A COVERAGE OF ALMOST 2,800 ITEMS, OFFERS TO INCREASE EXPORTS OF NON-TRADITIONAL PRODUCTS.

U.S. IMPORTS FROM LATIN AMERICA UNDER GSP
(MILLIONS OF DOLLARS)

	1977		1976	
	ENTERED		ENTERED	
COUNTRY	TOTAL	DUTY FREE	TOTAL	DUTY FREE
MEXICO	1,244.1	368.3	1,038.6	253.1
GUATEMALA	77.9	42.9	95.4	77.1
EL SALVADOR	34.8	6.8	47.9	7.5
HONDURAS	41.5	21.8	25.5	16.2
NICARAGUA	34.6	6.7	53.2	17.5
COSTA RICA	32.0	23.3	27.5	8.0
PANAMA	28.0	4.3	31.7	8.3
JAMAICA	14.0	6.1	29.3	7.3
HAITI	56.9	13.4	51.7	12.2
DOM. REP.	204.5	20.6	253.1	16.4
BARBADOS	15.5	10.7	21.1	12.2

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TRINIDAD	15.6	14.4	28.8	27.8
COLOMBIA	29.6	25.3	51.5	18.9
PERU	131.5	38.3	174.0	43.7
BOLIVIA	16.2	15.7	14.9	14.0
CHILE	137.9	23.5	123.9	22.5
BRAZIL	507.9	343.8	289.2	214.7
PARAGUAY	7.2	5.7	9.2	8.5

URUGUAY	30.3	28.7	29.8	27.5
ARGENTINA	151.9	77.3	112.0	71.8
SURINAM	0.2	0.1	0.1	0.1
BAHAMAS	19.6	7.6	19.8	6.0
GUYANA	6.2	2.2	13.9	1.0

TOTAL	2,837.9	1,107.5	2,542.1	892.3
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FOOTNOTES ON ABOVE DATA PLUS EXCLUSION UNDER COMPETITIVE
NEED AND VALUE ADDED CRITERIA ARE CONTAINED IN MATERIAL
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE045438
Document Source: CORE
Document Unique ID: 00
Drafter: WDBURSON:LM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780082-0556
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780227/aaaaawei.tel
Line Count: 235
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 890b2bd2-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3517490
Secure: OPEN
Status: NATIVE
Subject: U.S. IMPORTS FROM LATIN AMERICA UNDER GSP IN 1977
TAGS: ETRD, XM
To: ARA POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/890b2bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014